

- Fee reduction for ES&H and S&S shall be in specified ranges, for first, second, and third degree failures
- The RL Manager may also unilaterally reduce otherwise earned fee for failure to:
 - Achieve specified minimum performance levels
 - Achieve stipulated cost performance levels
- Reductions for either of these failures shall not result in the total earned fee being less than 25% of the total available fee amount

Fee Administration

The fee on the PHMC is administered primarily through annual Performance Based Incentives (PBIs), and multi-year PBIs (where requirements are established in one fiscal year but the final completion date extends into a future fiscal year.) A PBI is an individual agreement that sets forth performance objectives, measures, expectations and related fee distributions, and which is incorporated into the contract at Section J, Appendix D. All of the Contractor's available fee pool is allocated to PBIs, except for a small pool of "unallocated" fee, which is intended to be allocated during the contract term. In addition, the contractor has the opportunity to earn Super Stretch fee for completing Super Stretch Performance Based Incentives (SSPBIs). Fee for super stretch performance is outside of the available fee pool.

Performance Incentives will Multi-year PBI can include Provisional Payments and/or Progress Payments, as explained in detail in Clause H.37.

A Provisional Payment is a conditional payment of fee for partial completion of a multi-year PBI, conditioned upon the successful completion of a subsequent event as set forth in the PBI. Upon successful completion of the subsequent event, the provisional payment of fee will become a final payment of fee. If the contractor fails to successfully complete the subsequent event upon which the provisional payment of fee is conditioned, the contractor shall refund to the Government the provisional payment(s) received associated with the missed performance based event.

A Progress Payment will be a final payment of fee based upon partial completion of a multi-year PBI, as defined in the individual PBI. In general, progress incentives will have greater intrinsic value to the Government than provisional goals.

For any expectation to be considered performed, work must meet the criteria in the PBI and must be accomplished with the approved cost and schedule thresholds specified in the PBI, as modified through the Change Control Process. The process for administering PBIs and SSPBIs is outlined in Clause H.33, Performance Objectives, Measures, Expectations, and Fee Distribution.

At the conclusion of the appropriate performance period, the Government will evaluate the contractor's overall performance to determine the fee earned during the year. This evaluation will be a consideration in (1) incentive fee determinations by the RL Manager, (2) invoking

Clause B.7, Option Exercise, Reduction of Term, (3) in the DOE decision whether to terminate the contract for default, and (4) whether to invoke the Conditional Payment of Fee Clause. The annual determination is required for two reasons: (1) the Comprehensive PBI, which accounts for nearly 15% of the available fee pool, is an annual PBI, and (2) provisional fee payments to the Contractor are based on an annual accounting method, which requires an annual reconciliation of earned fee. The final fee determination must be made within 60 days of the fiscal year end or else interest charges start accruing to the Contractor.

The COR is responsible for ensuring that "Performance Expectation Completion Notices" (PECNs) are adjudicated within the 30 days of receipt from the Contractor.

Additional guidance regarding fee is in Section H, clauses H.33, H.35, H.37, and H.38; and Section I, clause I.20. Final fee determinations for SSPBIs are made, and fees are paid, upon completion of performance as defined in individual SSPBIs.

Under Clause I.20 "Conditional Payment of Fee", the RL Manager may unilaterally reduce earned fees for failure to meet minimum requirements of the ES&H safety management systems. This unilateral right also extends to a catastrophic event, failures to comply with the statement of work, or cost performance failures.

Fee Reallocation

The contract includes a provision that allows the Government to reallocate the fee among the PBIs or to new PBIs, if the DOE cancels an objective, measure, and/or expectation (see Clause H.33.F).

Unallocated Fee Pool

The entire fee pool will be allocated and made available during the contract term by assigning fee to the comprehensive, annual, or multi-year PBIs. The CO will use his/her best efforts to allocate any unallocated fee to meaningful work effort during the term of the contract. However, fee from the comprehensive, annual, and multi-year PBI's which is unearned for failure to meet PBI requirements is forfeited and shall not be returned to the unallocated fee pool.

Invoicing

The invoice review process requires that a COR be designated for each WBS covered by the contract. The names and corresponding WBSs will be included in the Hanford Data Integrator system (HANDI), and invoice certification will be possible. The receipt of property or services, approval of contractor invoices, and routine interface with contractors to resolve questions about invoices are inherent government functions and do not require the personnel performing them to be designated as CORs. An invoice approving official for this purpose does not have to be a COR, and can be a designated member of the COR's staff.

Other Contract Management Responsibilities

Other Contract Management and Administration Actions and associated RL responsibilities for each, are provided in Appendix A to this Plan

Attachments:

Appendix A – Contract Data Requirements

Appendix B – Contract Management and Administration Actions